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SENSITIVE
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SUBJECT: Japan Economic Scope for October 20, 2008

SENSITIVE BUT UNCLASSIFIED. PLEASE PROTECT ACCORDINGLY.

[11.](#) (U) This cable contains the Japan Economic Scope for October 20, 2008.

Environment and Energy

[12.](#) (SBU) Japan And U.K. Sign Statement Of Cooperation on Carbon Footprints And Offsets

The Ministry of Environment (MOE) published a Japan-U.K. statement of cooperation and exchange of information including methodologies to calculate carbon footprints and procedures for domestic carbon offsetting schemes. The October 10 statement adds detail to a May ministerial agreement between the MOE and the U.K. Department of Environment, Food and Rural Affairs (Defra) on the subject. Japan announced plans to begin a voluntary carbon footprint labeling scheme in 2009, possibly to be followed by a mandatory plan.

[13.](#) (U) No Radiation Leakage After Fire At Nuclear Power Station

No radioactive leakage, injuries or environmental damage were reported following a fire at a waste disposal facility of the Tokai Number 2 nuclear power station in Ibaraki the morning of October 10, according to operator Japan Atomic Power Co. and local officials. Press cited the Nuclear and Industrial Safety Agency as saying the smoke came from molten waste material, and the local government as saying some waste had spilled on the floor. The plant is still in operation. MOFA officials covering nuclear safety had no additional information on the incident.

Insurance and Investment

[14.](#) (SBU) AIG: Interest Among Companies, Worries Among Consumers

AIG's October 3 announcement it will sell Japan subsidiaries Alico, AIG Star Life, and AIG Edison to help repay debt obligations to the New York Fed continues to generate rumors of potential buyers. According to the media, Nippon Life, Tokyo Marine Holdings, Allianz, Prudential, and Aflac are showing interest.

Foreign insurers are also suffering collateral damage from the AIG bailout, as consumers worry about the financial stability of foreign insurers. Foreign insurers have tried to distance themselves from AIG in full-page newspaper advertisements, pointing, for example, to strong credit ratings. Nonetheless, a foreign insurer recently told us surrender requests for his company's dollar-denominated products were up five to ten times the normal rate.

Food and Agriculture

15. (U) Wheat, Barley Tenders Resume - Can Rice Be Far Behind?

The Ministry of Agriculture (MAFF) announced the restart of wheat and barley tenders October 9. The 6th food Simultaneous Buy and Sell (SBS) wheat tender, which MAFF cancelled in September due to the "tainted rice" scandal that also implicated the Ministry, was held the afternoon of October 10 in Tokyo. Products up for tender included food wheat (25,500 MT), food barley (26,200 MT), and beer barley (5,500 MT), the same proportions as were listed in the cancelled tender. MAFF reportedly changed the contract specs to require destruction or re-export at the importers' expense if found in violation of food safety laws. MAFF Minister Ishiba said in a press conference the relative success of the wheat tender process will help MAFF determine when it will resume stalled rice tenders.

16. (U) Wheat Prices Continue to Climb

MAFF raised the resale price (aka price paid by millers to MAFF) on imported wheat by 10 percent in the first week of October. MAFF has already raised prices three times in the past year and a half, in line with its adoption of a more frequent price adjustment mechanism. With the latest increase, the total price hike for Japanese wheat importers is 55 percent. A portion of that price has been passed on to consumers, but industry is bearing the brunt of the cost hike.

Japan's Foreign Relations

17. (SBU) Indian P.M. to Visit Tokyo--EPA Imminent? (SBU)

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Indian Prime Minister Manmohan Singh visits Tokyo October 21-23, where he is expected to conclude several economic agreements with PM Aso. The leaders will formally announce a 15 billion yen joint-infrastructure fund, spearheaded by the Japan External Trade Organization, to modernize the transportation infrastructure between New Delhi and Mumbai. In addition, the prime ministers are expected to announce basic tariff-reductions to lay the foundation for an Economic Partnership Agreement which press reports indicate may be concluded by the end of 2008. Sticking points in the talks, which begun in February 2007, include Indian taxation of Japanese-origin auto parts and issues surrounding the importation of Indian generic pharmaceuticals. A senior Ministry of Economy, Trade and Industry official reported shortly before Singh's visit the two sides are "90 percent" of the way toward an agreement.

18. (U) Emergency Assistance for Earthquake Disaster in the Kyrgyz Republic

The GOJ decided October 7 to provide emergency relief goods (including electric generators) equivalent to about 11 million yen (about \$110,000) to the Government of the Kyrgyz Republic, which sustained damage from the recent earthquake.

Politics and Reform

19. (U) Government Nominates Bank Of Japan Executive Director As Deputy Governor

The government nominated Bank of Japan Executive Director Hirohide Yamaguchi to assume a long-vacant Bank of Japan (BOJ) deputy governorship October 15. Bank of Japan appointments require approval from both houses of the Diet, and the DPJ's promise to assent to the appointment in the DPJ-controlled upper house means long-time BOJ staffer Yamaguchi should have a clear path to the position. Yamaguchi's confirmation would close one of the BOJ's two vacant Policy Board seats and fill and executive post that has been vacant since March.

Trade

110. (SBU) METI Publishes Catch All Trade Controls

The Ministry of Economy, Trade and Industry (METI) recently provided a copy of its export controls guidance distributed annually to industry representatives. The guidance focuses on "catch-all" controls to help trading companies recognize sales to possible front companies. Catch all controls are rules to prevent common use items -- those not normally requiring an export license -- from being used by others to manufacture weapons of mass destruction (WMD).

METI officials note the guidance includes elements similar to that provided by the USG to U.S. industry such as unusual routes, payments, qualities, etc.

Here is an excerpt of METI's Export Control Catch All Controls guidelines:

All Japanese exporters must confirm the following items to determine an end user's legitimacy or whether there might be some suspicion regarding catch all controls.

-- The importer and users or their representatives provide an articulate explanation of the use or application of the goods.

-- There is a rational need for the goods considering the users' business operation and technology.

-- The location of installation or use is clearly explained.

-- The transportation and installation of the cargo do not require unusual or excessive safety measures and treatment.

-- There is no demand for excessive quantities.

-- There is a request for the parts and related system usually necessary for the goods.

-- During the transportation, there is no unusual route of transportation nor abnormality in packaging or notification.

-- There is no unusually favorable offer in terms of payment, conditions and fee.

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-- There is no request for excessive confidentiality.

11. (SBU) ACTA Talks In Tokyo

Japan hosted the third round of multilateral talks on the Anti-Counterfeiting Trade Agreement (ACTA), October 7-10. Discussion among representatives of 23 participating countries focused on the sections on criminal enforcement and civil provisions. Two factors complicating progress are an apparent desire among most participants to avoid commitments that require amending existing laws, and questions of European commission vice Member State competency, particularly on criminal enforcement questions. Participants also discussed public reactions, with the U.S. reporting on public comments received, and the parties agreed on the importance of transparency and public outreach at an appropriate time. The EU offered to host the next meeting in Brussels in early December or late November. While there had been a desire to conclude the agreement by year's end, participants agreed that a high-quality agreement is more important than conclusion this year.

SCHIEFFER